



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
INSTALLATIONS AND ENVIRONMENT
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WASHINGTON DC 20310-0110



May 16, 2003

REPLY TO
ATTENTION OF

Honorable Duncan Hunter, Chairman
Committee on Armed Services
United States House of Representatives
2265 Rayburn House Office Building
Washington, DC 20515-0001

Dear Mr. Chairman:

Pursuant to The Army's previous notifications of intent to solicit (September 26, 2001) and intent to award (May 1, 2002), I am pleased to forward the Community Development and Management Plan (CDMP) for the Presidio of Monterey and Naval Post Graduate School Project, California. The Army will take no action to implement the CDMP, before Congress has completed its 45-day review.

I will be pleased to provide you with any additional information you may need.

Sincerely,



William A. Armbruster

Deputy Assistant Secretary of the Army
Privatization and Partnerships

Enclosure

cc: Honorable Ike Skelton, Ranking Member



MILITARY HOUSING PRIVATIZATION INITIATIVE PROJECT SUMMARY

INSTALLATIONS: The Presidio of Monterey, California and Naval Postgraduate School, California ("POM/NPS").

SCOPE:

This is the first *joint* DA Residential Communities Initiative project which involves both The Army at Presidio of Monterey, California and The Navy at the Naval Postgraduate School, California ("POM/NPS").

This initiative will privatize a total of 2,549 family housing units at POM/NPS. The Government will convey 2,268 existing units and out-lease the underlying land, as part of this initiative. The deal will be consummated through a real estate transaction between the Army and its partner, previously identified under a Request for Qualification ('RFQ') procurement process.

The partner will obtain synthetic fixed rate financing in the amount of \$452.6M through the issuance of taxable variable rate bonds and simultaneous execution of a variable-to-fixed swap contract for the same amount. The partner will commit \$7.0M in equity to plan, design and construct residential communities that will provide uniformed service members with access to quality, affordable housing. The Army and The Navy intends to provide a long-term interest in the installations real property to the selected partner, who will serve as the residential communities developer and manager.

The POM/NPS project includes the conveyance of 2,268 existing units. The initial development plan calls for the demolition of approximately 2,227 existing homes and construction of approximately 2,168 new homes. The remaining inventory of 41 historic homes will be maintained and renovated to adhere to modern construction and State Historic Preservation Office standards. The ending inventory of the POM/NPS communities will be 2,209 new and remodeled homes. If and when additional land is acquired, that land will be used to complement the project inventory by adding an additional 340 new units bringing the end-state inventory of the POM/NPS communities to 2,549 new and remodeled historic homes ($2,168 + 41 + 340 = 2,549$). Additionally, the POM/NPS partner will develop the following community amenities: one town hall center, two community recreation centers, four neighborhood centers, several athletic fields, several tot lots and a fitness course. Community streetscapes will also be enhanced to become pedestrian friendly. The partner intends to meet 100% ISR Green by the end of CY 2013.

The Military Services will pay the Basic Allowance for Housing ('BAH') to uniformed service members, who in turn will pay rent and utilities for the privatized housing. Rents will be equal to BAH less a utility allowance enabling the Service Member to pay their own utility bills. The utility allowance will be based on historical utility costs plus a reasonable buffer.

AUTHORIZATION:

10 U.S.C. - Section 2878 - Conveyance or lease of existing property and facilities. Facilities and infrastructure will be conveyed, and underlying land out-leased to the partner as part of this project.

10 U.S.C. – Section 2880 – Unit size and type. Housing will be renovated and constructed to community standards.

10 U.S.C. – Section 2881 – Ancillary support facilities. This project includes the transfer of ancillary supporting facilities as well as the construction of new ancillary facilities such as tot lots, playgrounds, etc.

JUSTIFICATION:

POM/NPS has a current housing stock requiring renovation or replacement. The Army and Navy are utilizing the privatization authorities and the value of installation assets to leverage scarce funds, obtain private sector capital and obtain private management expertise to construct and manage Family Housing in the U.S. The RCI program will provide quality housing and residential communities that are sustainable over time.

SOURCE OF FUNDS:

This project requires no direct investment by either The Army or the Navy.